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ARMED FORCES BUDGET OF INDIA

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Military expenditures constitute by far the largest single item on the disbursements side of the Indian budget for the fiscal year 1948-49. Estimates for "Defence Services" in the 1948-49 budget were approximately Rs. 1,210.8 million ($366.0 million),[1] or about 47 percent of the total expenditures to be met from revenues of the central government (see Table 1). In addition, the budget contemplates expenditures for fixed and tangible assets amounting to approximately Rs. 149.9 million ($45.3 million). These capital items include land acquisition, construction of training institutions and living facilities for the armed forces, purchase of naval vessels (one cruiser and three destroyers from the British Navy), and aircraft and equipment for the expansion of the Royal Indian Air Force (see Table 9). Such items are charged to a separate capital account headed "Defence Capital Expenditure" and are not chargeable against revenues.[2] "Defence Capital Expenditure" represents 11.7 percent of the total capital account for 1948-49 (see Table 2). The total amount provided in the 1948-49 budget estimates for defense expenditure is, therefore, the sum of the "Defence Services" and the "Defence Capital Expenditure" items, amounting to Rs. 1,360.65 million ($411.3 million), or 29.4 percent of the total disbursements.[3]

This bookkeeping maneuver[4] shifted approximately Rs. 149.9 million of military expenditures from the revenue expenditures

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1. The official exchange rate, as set by the International Monetary Fund, is 1 Indian rupee equals $0.30225.
2. Revenue charges are those outlays for goods and services purchased and consumed in the current fiscal period; for purposes of this report, capital charges include outlays in the current fiscal period for goods and services to be consumed or used and financed over a period of years to come.
3. Total disbursements are the sum of total expenditures met from revenue and total capital disbursements as shown in Tables 1 and 2.
4. The practice of charging defense expenditures for the acquisition of permanent assets to a capital account originated during the war. It was discontinued temporarily in 1947-48 but was revived in the 1948-49 budget.

account to the capital expenditures account and brought into approximate balance (deficit of Rs. 10.9 million only or about $3.3 million) the government's estimates of revenue and "expenditures met from revneue" (see Table 1). The "Deficit on Capital Account" item, listed under "Capital Receipts and Disbursements," was correspondingly increased from Rs. 975.1 million ($294.7 million) to about Rs. 1,125.0 million ($340 million) (see Table 2). The increase, while significant, presumably would not cause the same concern as if it were left in the current revenue deficit, because the capital account expenditure can either be met from the balance left over from previous years[1] or be financed over a long period of time, i.e., by government borrowing on a long-term basis.

At the beginning of the fiscal year 1947-48 (April 1, 1947), before partition, budget estimates of defense expenditures were Rs. 1,887.1 million ($570.4 million). However, the liabilities accounts of the undivided central government for the period from April 1, 1947 to the date of partition, August 15, 1947, have not yet been finally closed. It is therefore impossible to obtain the figures for Indian military expenditures during this five and one-half months' period apart from obligations which Pakistan may eventually assume.

On November 26, 1947, following the partition of the subcontinent, India's budget estimates for the period from August 15, 1947 to March 31, 1948 (seven and one-half months) fixed total net defense expenditure at approximately Rs. 927.4 million ($280.3 million),

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1. At the beginning of the 1939-40 fiscal year India had a surplus, after the previous year's operations, of about $50 million. During the war this balance was greatly increased despite large war expenditures. Recently the accumulated surplus rapidly declined due to large and recurring annual deficits in current operations. However, at the beginning of fiscal year 1948-49 the balance still amounted to approximately Rs. 1,596.1 million ($482.4 million).

or 47 percent of estimated total expenditures met from revenue. In spite of aggravated communal strife, refugee migration, and the outbreak of fighting in Kashmir it was found possible by the end of February 1948 to reduce the figure to about Rs. 866.3 million ($261.8 million). Budget estimates for the next fiscal period presumably were calculated in full cognizance of continuing demands on the armed forces as well as of the prevailing higher price level.[1]

As already noted, the net total amount provided for defense expenditures in the 1948-49 budget estimates was approximately Rs. 1,360.65 million ($411.3 million). It is noteworthy that this amount does not represent any increase in the rate of defense expenditures over the 1947-48 revised estimate for the seven and one-half months' period following the partition.

The general summary of the current budget appearing in the Monthly Bulletin of the Reserve Bank of India, for December 1948, shows that military disbursements during 1948-49 have been running at the same rate as budgeted in the original estimates (Rs. 1,360.65 million or $411.3 million), although total disbursements for all purposes have increased. Thus expenditure for "Defence Services" represents only 42.8 percent of total expenditures to be met from revenue as compared with 47 percent provided in the original budget; "Defence Capital Expenditure" has been the same as contemplated in the original budget - 11.7 percent of the total capital account; and total military expenditures are about 30.6 percent of the total disbursements instead of 29.4 percent as listed in the original budget. (See Tables 1, 2 and 3.).

Official revised budget figures for the 1948-49 fiscal year

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1. There was a 13 percent rise in the wholesale price index between November 1947, when price ceilings were removed, and March 31, 1948, the end of the fiscal year. Prices continued an upward trend until June 1948 when controls were reimposed. Since June 1948 prices have remained fairly steady.

will not, according to past procedure, be presented until the estimates for 1949-50 are submitted to the Legislature.[1]

Future expenditures for military purposes may decrease, since fighting over Kashmir ceased on January 1, 1949 and probably will not be resumed. Extraordinary demands for refugee rehabilitation, industrial development projects, and the campaign to increase agricultural production will probably cause some curtailment of the military budget. Immediate reduction of defense expenditures will not be substantial, however, because the maintenance of the armed forces in Kashmir and their evacuation from this mountainous terrain will prove to be difficult and costly.

Current military expenditures in India under the "Defence Services" item allot to the Army approximately $198.1 million, to the Royal Indian Navy $17.1 million, to the Royal Indian Air Force $39.1 million, to Supplies and Stores $77.9 million, and to a category headed "Defence Services - Non-Effective" $33.9 million (see Tables 4 through 8). The "Defence Capital Expenditure" item is distributed among the three services as follows: Army, $17.9 million; Royal Indian Navy, $11.8 million; Royal Indian Air Force, $15.6 million (see Table 9).

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1. An unofficial report in October 1948 stated that total military expenditure for the current year would amount to Rs. 1,498.8 million ($453 million). This report is not confirmed by official statements believed reliable.

Table 1. ESTIMATE OF EXPENDITURE MET FROM REVENUE FOR THE FISCAL YEARS 1947-48 AND 1948-49
(Figures to nearest $10)

	Budget Estimate 1947-48	Revised Estimate 1947-48	Budget Estimate 1948-49
Defense Services	$280,315,420	$261,825,270	$365,957,650
Other Expenditure	316,288,300	298,213,760	411,968,260
Total Expenditure Met from Revenue	$596,603,720	$560,039,030	$777,925,910
Total Revenue	-522,284,680	-540,322,350	-774,619,900
Deficit	$ 74,319,040	$ 19,716,680	$ 3,306,010

Source: Budget of the Governor-General As Laid Before the Indian Legislature, 1948.

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Table 2. ESTIMATES OF CAPITAL DISBURSEMENTS
for the FISCAL YEAR 1948-49
(Figures to nearest £10)

Capital Accounts Not Met from Revenue			
Defense Capital Expenditure[a]	£ 45,300,020		
Others	341,964,740		
Total Capital Account		£387,264,760	
Reserve Funds, Deposit Transactions, and Loans and Advances		235,511,090	
Total Capital Disbursements			£622,775,850
Total Capital Receipts			-282,740,970
Deficit on Capital Account			£340,034,880

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a. Defense Capital Expenditure represents approximately 11.7 percent of Total Capital Account.

Source: Budget of the Governor-General As Laid Before the Indian Legislature, 1948.

Table 3. CONDENSED BUDGET OF THE GOVERNMENT OF INDIA
for the FISCAL YEAR 1948-49
(Figures to nearest $10)

Defense Services	$365,957,650	
Other Expenditures Met From Revenue	489,500,530	
Total Expenditures Met from Revenue		$855,458,180
Defense Capital Expenditures	$ 45,300,020	
Other Capital Disbursements	341,972,910	
Deposits and Advances	102,462,750	
Total Capital Disbursements		489,735,680
Total Disbursements		$1,345,193,860
Total Receipts		-1,035,085,350
Deficit		$ 310,108,510

Source: Monthly Bulletin, Reserve Bank of India, December 1948.

Table 4. ESTIMATED ARMY DEFENSE SERVICES EXPENDITURE FOR THE FISCAL YEAR 1948-49
(Figures to nearest $10)

Pay, etc., of Fighting Services			$ 50,149,320
Administrative Services			
Military Training		$ 4,768,300	
Education		1,092,940	
Supply Services			
Army Service Corps	$ 4,078,860		
Ordnance Corps	25,161,410		
Electrical and Mechanical Engineering Corps	11,155,140		
Other Supply Services	441,280		
Total Supply Servies		40,836,690	
Medical Services		6,965,960	
Military Accounts Office[a]		10,109,050	
Cantonments[b]		424,660	
Miscellaneous Administrative Services		4,951,760	
Total Administrative Services		$69,149,360	
Receipts		- 462,440	
Total (net) Administrative Services			68,686,920
Total (carried forward)			$118,836,240

(this table continued on page 9)

a. The Military Accounts Department is responsible for the payment, adjustment, and internal check of all claims against the defense services estimates and for the maintenane of individual accounts of the personnel of the armed forces. It also exercises a check of defense store and manufacture accounts.
b. Expenditure on the municipal administration of the cantonments and military estates and lands.

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Table 4. ESTIMATED ARMY DEFENSE SERVICES EXPENDITURE FOR THE FISCAL YEAR 1948-49 (continued)
(Figures to nearest $10)

Total (brought forward)	$118,836,240
General Headquarters, Staff of Command, etc.[a]	12,017,760
Special Services[b]	302,250
Transportation, Conservancy, Hot Weather Establishments and Miscellaneous	26,205,980
Military Engineer Services (including stores)	33,876,490
Territorial Force[c]	304,670
Charges in England[d]	6,508,950
Total	$198,052,340

a. Pay, allowances and other expenditure directly connected with headquarters and staff.
b. Expenditure on terminal benefits to men released from service.
c. Expenditure on staff, training, and other charges relating to urban battalions and the University Officers' Training Corps.
d. Represents mainly leave allowances of non-volunteer British officers of the Indian Army on leave pending retirement, etc.

Source: Budget Estimates of Expenditure on Defence Services For the Year 1948-49.

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Table 5. ESTIMATED NAVY DEFENSE SERVICES EXPENDITURE FOR 1948-49
(Figures to nearest $10)

Salaries and Allowances of Officers and Men Afloat	$1,361,640	
Training and Educational Establishments	4,071,000	
Dockyard and Workshops[a]	3,120,130	
Naval Headquarters[b]	634,120	
Purchase of Stores	2,245,420	
Hire of Vessels	83,120	
Works[c]	1,494,930	
Transportation and Miscellaneous	392,920	
Charges in England[d]	4,155,330	
Total Expenditures		$17,558,610
Receipts		- 486,320
Total Net Expenditure		$17,072,290

a. For repair and refit of Royal Indian Navy vessels.
b. For pay and allowances and miscellaneous expenses of Naval Headquarters.
c. Corresponds to military engineer services in the army.
d. For purchases of naval stores and alterations to vessels acquired in England for R.I.N.

Source: Budget Estimates of Expenditure on Defence Services For the Year 1948-49.

Table 6. ESTIMATED AIR FORCE DEFENSE SERVICES EXPENDITURE FOR 1948-49
(Figures to nearest $10)

Pay and Allowances of Officers and Men in Group, Wing, Station Headquarters and Squadron	$ 2,814,850	
Training, Educational, etc. Establishments and Maintenance Units	6,386,240	
Air Headquarters[a]	1,208,700	
Purchase of Stores	3,088,390	
Transportation and Miscellaneous	3,451,390	
Works[b]	9,775,980	
Charges in England[c]	13,607,900	
Total Expenditure		$40,333,450
Receipts		- 1,254,340
Total Net Expenditure		$39,079,110

a. For pay and allowances and miscellaneous expenses of Air Headquarters.
b. Corresponds to military engineer services in the army.
c. Mainly for procurement of equipment and stores for the air force and includes pay and allowances of air force personnel undergoing training in England.

Source: Budget Estimates of Expenditure on Defence Services For the Year 1948-49.

Table 7. ESTIMATED DEFENSE SERVICES EXPENDITURES FOR SUPPLIES AND SERVICES FOR 1948-49
(Figures to nearest $10)

Ordnance, Harness and Saddlery, and Clothing Factories	$21,136,340	
Military Farms[a]	5,255,520	
Army Supply Corps Stores	55,554,760	
Animals	163,520	
Army Ordnance Corps Stores	5,867,880	
Medical Stores	250,870	
Charges in England[b]	10,781,260	
Gross Expenditures		$99,010,150
Receipts[c]		-21,158,710
Net Expenditures		$77,851,440

a. The primary functions of Military Farms are (a) to provide a reliable supply of dairy produce to the armed forces where such supplies are not available from other sources, and (b) to provide fodder for the animals.
b. For stores obtained either from the UK Government or in the course of regular trade.
c. This item consists of recoveries from (a) other governments, non-military departments, etc. for stores supplied to them and for work done in ordnance and clothing factories, and (b) officers and civilians for dairy produce and other stores issued to them upon cash payment.

Source: Budget Estimates of Expenditure on Defence Services For the Year 1948-49.

Table 8. ESTIMATED EXPENDITURE FOR DEFENSE SERVICE--NON-EFFECTIVE[a] FOR 1948-49
(Figures to nearest £10)

Army	$21,024,510
Air Forces	70,120
Royal Indian Navy	124,530
Charges in England[b]	12,683,320
Total Net Expenditures	$33,902,480

a. Non-effective charges comprise payments of pensions and gratuities to personnel retired after completing the prescribed periods of satisfactory service, wound and injury pensions, pensions to families of personnel whose death is directly attributable to conditions of service, and rewards for military decorations and medals.

b. These represent payments in England of charges similar to those paid in India to personnel of the Indian services who elect to draw their pensions in that country (mostly British officers of the Indian Army).

Source: Budget Estimates of Expenditure on Defence Services For the Year 194£-49.

Table 9. ESTIMATED DEFENSE CAPITAL EXPENDITURE FOR 1948-49
(Figures to nearest $10)

Army -		
Works[a]	$9,067,500	
Acquisition of Land	8,795,470	
Total		$17,862,970
Royal Indian Navy		
Works[a]	$4,684,870	
Acquisition of Land	1,360,130	
Purchase of Vessels	5,792,320	
Total		11,837,320
Royal Indian Air Force		
Works[a]	$5,954,330	
Acquisition of Land	2,720,250	
Purchase of Aircraft and Connected Equipment	6,925,150	
Total		15,599,730
Grand Total		$45,300,020

a. Represents expenditure on construction of training establishments and accommodations for personnel.

Source: Budget Estimates of Expenditure on Defence Services For the Year 1948-49.